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Testing Firm and Its President Admit to Scheme to Give False Reports to Underground Storage Tank Owners in Southeast U.S.

WASHINGTON – The former president of an environmental contracting firm pleaded guilty today to several felonies related to his role in an illegal scheme that caused hundreds of people to incorrectly believe their underground storage tanks were tested properly for leaks of petroleum and other contaminants.

James Edward Adams of Inman, S.C., and the firm he owned, Carolina Upgrading of South Carolina Inc., entered guilty pleas today in federal court in Columbia, S.C. A federal grand jury in February 2000 returned a 15-count indictment against Adams and Carolina Upgrading, charging them with conspiring to commit mail fraud, make false statements and submit false claims, and with committing mail fraud and submitting false claims.

Under the terms of the plea agreement, Adams faces 27 months imprisonment and fines of up to \$250,000 per felony count of the 15-count indictment. Carolina Upgrading of South Carolina Inc. faces fines of up to \$500,000 per count of the 15-count indictment. The court will determine whether to accept the plea agreement, and will then impose a sentence.

Federal law requires that underground storage tank owners periodically have their equipment tested to ensure the tanks are not leaking pollution into soil or groundwater. From March 1994 until October 1999, Adams directed employees of Carolina Upgrading to carry out a scheme to give false tank testing reports to gas stations and several state and federal facilities in South Carolina, North Carolina, Florida, Georgia, Virginia and Tennessee.

“People who represent that they provide accurate testing of underground storage tanks cannot defraud the public trust,” said John Cruden, the Acting Assistant Attorney General for the Justice Department’s Environment Division. “Tank owners must have accurate information to determine whether or not their tanks are leaking pollutants. The Justice Department will prosecute those who intentionally mislead customers about the stability of their tanks.”

According to the plea agreement, Carolina Upgrading employees sent fraudulent tests and reports to clients, claiming that the clients’ underground storage tanks had been properly tested. However, in some cases, the defendants did not perform any test at all. In other cases, they did perform tests that they knew to be invalid. In all, more than 1,500 false tests were performed for at least 400 customers. The total fraud suffered by customers was about \$500,000.

In April 2000, Mark Scruggs and Chris Fletcher, former employees of the company, pleaded guilty to federal charges and admitted they were part of the fraudulent testing scheme.

The case was prosecuted by the Environment Division of the Justice Department and the U.S. Attorney's Office in the District of South Carolina. The case was investigated by the South Carolina Department of Health and Environmental Control, the North Carolina State Bureau of Investigations and the U.S. EPA.

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